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Lap Kei Engineering (Holdings) Limited

立基工程（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1690)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Lap Kei Engineering (Holdings) Limited (the “**Company**”) is pleased to announce the audited consolidated financial information of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**us**”) for the year ended 31 December 2024 (the “**Year**”) together with the comparative figures for the year ended 31 December 2023. The financial information set out below has been approved by the Board.

SUMMARY

	For the year ended 31 December		
	2024	2023	
	HK\$'000	HK\$'000	Change %
Revenue	415,332	323,307	28.5%
Gross profit	23,056	26,586	(13.3)%
Profit attributable to owners of the Company	2,128	7,383	(71.2)%
Profit per share (<i>HK cents</i>)	0.14	0.49	

- The Group’s revenue amounted to approximately HK\$415.3 million for the year ended 31 December 2024, representing an increase of approximately HK\$92.0 million or approximately 28.5% as compared with the year ended 31 December 2023.
- The profit attributable to owners of the Company is approximately HK\$2.1 million for the year ended 31 December 2024, representing a drop of approximately 71.2% from the profit attributed to owners of the Company at approximately HK\$7.4 million for the year ended 31 December 2023.
- The Board proposed final dividend of HK\$0.01 per share, in an aggregate amount of HK\$14,646,000 for the Year (2023: Nil) to the shareholders of the Company, which is subject to shareholders’ approval at the forthcoming annual general meeting.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	415,332	323,307
Cost of revenue		<u>(392,276)</u>	<u>(296,721)</u>
Gross profit		23,056	26,586
Other income and other gains or losses		2,260	1,198
Administrative expenses		(22,361)	(18,939)
Impairment loss recognised under expected credit loss (“ECL”) model, net of reversal		(393)	280
Finance costs		<u>(24)</u>	<u>(56)</u>
Profit before income tax	3	2,538	9,069
Income tax expense	4	<u>(466)</u>	<u>(1,645)</u>
Profit for the year		<u>2,072</u>	<u>7,424</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurements of provision for long service payments		<u>56</u>	<u>(41)</u>
Other comprehensive income for the year		<u>56</u>	<u>(41)</u>
Total comprehensive income for the year		<u>2,128</u>	<u>7,383</u>
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
— Basic and diluted	6	<u>0.14</u>	<u>0.49</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		10,962	10,504
Intangible assets		55	113
Deferred tax assets		1,551	2,017
		12,568	12,634
Current assets			
Trade and other receivables	7	152,642	121,948
Contract assets	8	129,863	111,458
Pledged bank deposits		5,284	5,145
Bank balances		58,721	45,756
		346,510	284,307
Current liabilities			
Trade and other payables	9	204,769	143,588
Contract liabilities	10	2,538	–
Provision for onerous contracts		624	–
		207,931	143,588
Net current assets		138,579	140,719
Total assets less current liabilities		151,147	153,353
Non-current liabilities			
Provision for long service payments		974	889
Net assets		150,173	152,464
EQUITY			
Share capital		14,646	15,228
Reserves		135,527	137,236
Total equity		150,173	152,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. CHANGE IN ACCOUNTING POLICIES

(a) New standards, interpretations and amendments — first effective on 1 January 2024

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued a number of amendments to HKFRS Accounting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current liabilities with Covenants
Amendments to HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

None of these amendments to HKFRSs has a material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements. The Group has not early applied any new or amendments to HKFRSs that is not yet effective for the current accounting period.

(b) New standards, interpretations and amendments that have been issued but are not yet effective

The following new and amendments to HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability ¹
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to HK Interpretation 5	Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10, and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11 ²

- ¹ Effective for annual periods beginning on or after 1 January 2025.
- ² Effective for annual periods beginning on or after 1 January 2026.
- ³ Effective for annual periods beginning on or after 1 January 2027.
- ⁴ No mandatory effective date yet determined but available for adoption.

The Group is currently assessing the impact of these new and amendments to HKFRSs. Except for the below, these new and amendments to HKFRSs are preliminary assessed and are not expected to have any significant impact on the Group's financial statements.

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted.

Currently, the Group derecognises its financial liabilities upon the issuance of cheques to their creditors. Under the amendments, the Group as a debtor should derecognise trade payable on the settlement date, i.e. the date on which the creditor receives the cash, as oppose to when the Group issues the cheque. Similarly, the Group should derecognise a trade receivable upon receiving cash from the debtor after the cheque has been cleared by the bank. The Group is the process of reviewing the derecognition practices for financial assets and financial liabilities to ensure compliance; and assessing the impact of amendments to the Group's financial statements upon adoption.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the consideration expected to be entitled by the Group from provision of building services engineering work and maintenance, repair and other services.

(i) Disaggregation of revenue from contracts with customers

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Type of services		
Building services engineering work	402,315	309,008
Maintenance, repair and other services	<u>13,017</u>	<u>14,299</u>
	<u>415,332</u>	<u>323,307</u>

Timing of revenue recognition on all services are transferred over time. All revenue from contracts with customers are arising from Hong Kong during the year and prior year.

(ii) Transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) for contracts with customers that remain outstanding as at the end of the reporting period and the expected timing of recognising revenue is set out below:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Provision of building services engineering work		
— Within one year	271,235	273,422
— More than one year but not more than two years	<u>13,992</u>	<u>56,225</u>
	<u>285,227</u>	<u>329,647</u>

All the Group's maintenance, repair and other services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations under those contracts is not disclosed.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive directors of the Company, in order for CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- | | | | |
|------|--|---|--|
| (i) | Building services engineering work | — | Provision of building services engineering work including mechanical ventilation and air-conditioning system, electrical system, plumbing and drainage system, fire system and other related works |
| (ii) | Maintenance, repair and other services | — | Provision of maintenance and repair services for building services system and replacement of parts |

The Group’s CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

The following is an analysis of the Group’s revenue and results by operating segments:

For the year ended 31 December 2024

	Building services engineering work HK\$’000	Maintenance, repair and other services HK\$’000	Total HK\$’000
Segment revenue			
External sales	<u>402,315</u>	<u>13,017</u>	<u>415,332</u>
Segment results	<u>18,914</u>	<u>4,142</u>	<u>23,056</u>
Other income and other gains or losses			2,260
Administrative expenses			(22,361)
Impairment loss recognised under ECL model, net of reversal			(393)
Finance costs			<u>(24)</u>
Profit before income tax			<u><u>2,538</u></u>

For the year ended 31 December 2023

	Building services engineering work <i>HK\$'000</i>	Maintenance, repair and other services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External sales	<u>309,008</u>	<u>14,299</u>	<u>323,307</u>
Segment results	<u>22,654</u>	<u>3,932</u>	26,586
Other income and other gains or losses			1,198
Administrative expenses			(18,939)
Impairment loss recognised under ECL model, net of reversal			280
Finance costs			<u>(56)</u>
Profits before income tax			<u><u>9,069</u></u>

Segment results mainly represented gross profit earned by each segment.

Geographic information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operation.

Information about major customers

Revenue from customers in respect of building services engineering work during the years ended 31 December 2024 and 2023 individually contributing over 10% of the Group's revenue is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	155,073	N/A ¹
Customer B	–	102,324
Customer C	N/A ¹	51,974
Customer D	<u>N/A¹</u>	<u>39,581</u>

¹ Revenue from the customer is less than 10% of the total revenue of the Group for the respective year.

No single customer in respect of maintenance, repair and other services contributed 10% or more to the Group's revenue for each of the years ended 31 December 2024 and 2023.

3. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2024 HK\$'000	2023 HK\$'000
Directors' emoluments (including provision for long service payments)	9,410	8,712
Other staff costs:		
— Salaries and other allowances	52,043	53,314
— Retirement benefits scheme contributions	1,779	1,938
— Provision for long service payments	133	132
Total staff costs	63,365	64,096
Auditor's remuneration	1,000	950
Amortisation on intangible assets	58	58
Cost of materials recognised as expense	113,254	87,549
Depreciation of property, plant and equipment	2,660	2,430
Write-off of trade receivables	—	100
Impairment loss reversed on trade receivables	(168)	(1,496)
Impairment loss recognised on contract assets	561	1,216
	393	(280)
Bank interest income	(1,877)	(1,170)
Interest income on a deposit paid for a life insurance policy	—	(14)
Loss on surrender of a life insurance policy	—	111
Gain on disposal of property, plant and equipment	(176)	—
Provision for onerous contracts (<i>note (a)</i>)	624	—
Rental expense on short-term leases in respect of warehouse, office premises and car parks (<i>note (b)</i>)	1,958	1,896

Note (a): Included in cost of revenue in the consolidated statement of profit or loss and other comprehensive income.

Note (b): The Group regularly entered into short-term leases for warehouse, office premises and car parks.

4. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong Profits Tax		
— Current year	—	—
Deferred tax	<u>466</u>	<u>1,645</u>
	<u><u>466</u></u>	<u><u>1,645</u></u>

The Group is subject to Hong Kong Profits Tax. No Hong Kong Profits Tax was provided for the Company's subsidiaries in Hong Kong for the current year and prior year as they either have estimated tax losses brought forward to offset against the estimated assessable profits or did not derive any assessable profits.

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit before income tax	<u>2,538</u>	<u>9,069</u>
Tax at Hong Kong Profits Tax rate of 16.5% (2023: 16.5%)	419	1,496
Tax effect of income not taxable for tax purpose	(309)	(171)
Tax effect of expenses not deductible for tax purpose	347	320
Others	<u>9</u>	<u>—</u>
Income tax expense	<u><u>466</u></u>	<u><u>1,645</u></u>

At the end of the reporting period, the Group has unused tax losses of HK\$11,690,000 (2023: HK\$13,543,000) available to offset against the future taxable profit. A deferred tax asset of HK\$1,928,000 (2023: HK\$2,234,000) has been recognised in respect of tax losses of approximately HK\$11,690,000 (2023: HK\$13,543,000). Under current tax legislation, tax losses can be carried forward indefinitely.

5. DIVIDEND

No dividend was paid to shareholders of the Company for both years.

The directors proposed final dividend of HK\$0.01 per share (2023: nil), in an aggregate amount of HK\$14,646,000 (2023: nil) for the year ended 31 December 2024 which is subject to shareholders' approval at the forthcoming annual general meeting.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2024 is based on the profit for the year of HK\$2,072,000 (2023: HK\$7,424,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2024 of 1,486,637,678 (2023: 1,527,667,945).

The Group has no dilutive potential ordinary shares in issue during the years ended 31 December 2024 and 2023.

7. TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	84,403	56,052
Less: allowance for credit loss	(1,472)	(649)
	<u>82,931</u>	<u>55,403</u>
Deposit paid	63,794	62,992
Other receivables	890	1,051
Prepayments	<u>5,027</u>	<u>2,502</u>
	<u>69,711</u>	<u>66,545</u>
Total trade and other receivables	<u><u>152,642</u></u>	<u><u>121,948</u></u>

The Group allows a credit period ranging from 0 to 45 days (2023: 0 to 30 days) to its customers for trade receivables.

The following is an aging analysis of trade receivables net of allowance for credit loss presented based on invoice dates at the end of the reporting period:

	2024 HK\$'000	2023 HK\$'000
0–30 days	42,162	18,300
31–60 days	28,402	21,991
61–90 days	7,435	10,437
> 90 days	<u>4,932</u>	<u>4,675</u>
	<u><u>82,931</u></u>	<u><u>55,403</u></u>

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$40,769,000 (2023: HK\$37,103,000), which are past due as at the end of the reporting period. Out of the past due balances, aggregate carrying amount of HK\$4,729,000 (2023: HK\$1,994,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

8. CONTRACT ASSETS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contract assets	131,517	113,542
Less: allowance for credit loss	<u>(1,654)</u>	<u>(2,084)</u>
	<u>129,863</u>	<u>111,458</u>

Analysed as current:

Unbilled revenue of building services engineering work	82,471	67,148
Unbilled revenue of maintenance, repair and other services	525	–
Retention receivables of building services engineering work	<u>46,867</u>	<u>44,310</u>
	<u>129,863</u>	<u>111,458</u>

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of the reporting period:

Retention receivable of building services engineering work		
Within one year	28,028	24,547
After one year	<u>18,839</u>	<u>19,763</u>
	<u>46,867</u>	<u>44,310</u>

Changes in contract assets during the year ended 31 December 2024 were mainly due to the increase in: (1) the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period; and (2) the number of contracts in respect of building services engineering work that the relevant services were provided but yet certified by customers or external surveyors at the end of the reporting period.

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the date of the completion of the respective project. The Group does not hold any collateral over these balances.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

9. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables (<i>note a</i>)	71,874	45,190
Retention payables (<i>note b</i>)	11,752	8,419
Accrued sub-contracting and material costs	104,415	76,531
Accrued staff costs	15,093	11,993
Other payables and accruals	<u>1,635</u>	<u>1,455</u>
Total trade and other payables	<u><u>204,769</u></u>	<u><u>143,588</u></u>

Notes:

- (a) The credit period on trade payables range from 30 to 60 days (2023: 30 to 60 days).

The aging analysis of trade payables is presented based on the invoice dates at the end of the reporting period:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–30 days	46,814	23,785
31–60 days	5,798	1,782
61–90 days	485	2,419
> 90 days	<u>18,777</u>	<u>17,204</u>
	<u><u>71,874</u></u>	<u><u>45,190</u></u>

- (b) Based on the terms and conditions agreed in relation to the release of retention monies to subcontractors and taking into account the status of rectification work, the retention payables as at the end of the reporting period are to be settled as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
On demand or within one year	7,248	5,420
After one year	<u>4,504</u>	<u>2,999</u>
	<u><u>11,752</u></u>	<u><u>8,419</u></u>

10. CONTRACT LIABILITIES

	2024 HK\$'000	2023 HK\$'000
Advances from customers of building services engineering work, current	<u>2,538</u>	<u>–</u>

The Group classifies contract liabilities as current because the Group expected to settle them in its normal operating cycle.

Movement in contract liabilities:

	2024 HK\$'000	2023 HK\$'000
At beginning of year	–	1,160
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	–	(1,160)
Increase in contract liabilities as a result of billing in advance of building services engineering work	<u>2,538</u>	<u>–</u>
At end of year	<u>2,538</u>	<u>–</u>

Typical payment terms on contracts for building services engineering work and maintenance, repair and other services which impact on the amount of contract liabilities recognised are as follows:

When the Group receives upfront payment or cash advances before the services are provided, this will give rise to contract liabilities, until the revenue recognised on the relevant contract exceeds the amount of the cash advances.

11. PLEDGE OF ASSETS

At the end of the reporting period, the Group has obtained banking facilities of HK\$83,700,000 (2023: HK\$73,700,000) which are secured by the properties owned by Mr. Wong, assignment of trade receivables and by the Group's pledged assets. The carrying amounts of the assets pledged by the Group to banks are as follows:

	2024 HK\$'000	2023 HK\$'000
Property, plant and equipment	4,858	5,084
Pledged bank deposits	<u>5,284</u>	<u>5,145</u>
	<u>10,142</u>	<u>10,229</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The Group undertakes building services engineering works which are mainly related to the supply, installation and maintenance of (i) mechanical ventilation and air-conditioning (“**MVAC**”) system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

The contracts the Group entered into with its customers are categorised into two types, namely (i) building services engineering projects for existing buildings and new buildings (the “**building services engineering projects**”); and (ii) maintenance, repair and other services (the “**maintenance projects**”) which mainly include provision of maintenance and repair services for building services system and replacement of parts.

For building services engineering projects, the Group is required to complete the engineering works in relation to the installation and/or upgrade of building services systems as set out in the scope of work under the contract. For maintenance projects, the Group is required to provide maintenance services for existing building services systems of a property or portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair.

Looking forward, the Directors consider that the future opportunities and challenges being faced by the Group will continue to be affected by the development of the property market in Hong Kong as well as factors affecting labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong building services industry.

As at 31 December 2024, the Group had 47 projects on hand (including projects in progress and projects that are about to commence) with total outstanding contract value of approximately HK\$285.2 million.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$323.3 million for the year ended 31 December 2023 to approximately HK\$415.3 million for the Year, representing an increase of approximately 28.5%. Such increase was mainly due to an increase in the number of projects undertaken by the Group during the Year as compared with that for the year ended 31 December 2023.

Cost of Sales

Our cost of sales increased from approximately HK\$296.7 million for the year ended 31 December 2023 to approximately HK\$392.3 million for the Year, representing an increase of approximately 32.2%. Such increase was mainly attributable to the increase in our subcontracting charges and material costs due to the rise in the number and contract size of projects undertaken by the Group during the Year, which is in line with the increased in revenue of the Group during the Year.

Gross Profit

Gross profit of the Group was approximately HK\$23.1 million for the Year while gross profit of the Group was approximately HK\$26.6 million for the year ended 31 December 2023. The decrease in gross profit was mainly driven by the increase in cost of sales for the Year, which outweighed the increase in revenue.

The gross profit margin was approximately 5.6% for the Year while gross profit margin of the Group was approximately 8.2% for the year ended 31 December 2023 as the extent of increase in cost of sales is higher than that in revenue for the Year. During the Year, the Group experienced a relatively higher equipment and material costs from the Group's suppliers. Therefore, it increased the Group's costs of sales which resulted in lower gross profit margin compared with that of last year.

Administrative Expenses

Administrative expenses of the Group increased by approximately 18.1% from approximately HK\$18.9 million for the year ended 31 December 2023 to approximately HK\$22.4 million for the Year. Administrative expenses primarily consisted of rental expenses and staff costs. The increase was mainly attributable to the increase in staff salary and discretionary bonus during the Year.

Other Income and Other Gains or Losses

Other income and other gains or losses increased significantly by approximately HK\$1.1 million, or 88.6%, from approximately HK\$1.2 million for the year ended 31 December 2023 to approximately HK\$2.3 million for the Year. The increase in other income and other gains or losses was mainly due to the increase in bank interest received from banks.

Income Tax Expense

Income tax expense of the Group was approximately HK\$0.5 million for the Year while income tax expense of the Group was approximately HK\$1.6 million for the year ended 31 December 2023. The change was mainly due to the decrease in deferred tax assets arising from the utilisation of tax losses and the decrease in temporary differences of allowance for expected credit loss during the Year.

Profit for the Year

Profit for the Year decreased by approximately 72.1% from approximately HK\$7.4 million for the year ended 31 December 2023 to approximately HK\$2.1 million for the Year. Such decrease was primarily attributable to the effect of the decrease in gross profit margin and higher administrative expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the Group had total assets of approximately HK\$359.1 million (2023: HK\$296.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$208.9 million (2023: HK\$144.5 million) and approximately HK\$150.2 million (2023: HK\$152.4 million), respectively.

The total interest-bearing loans and borrowings of the Group as at 31 December 2024 were nil (2023: HK\$Nil), and current ratio as at 31 December 2024 was approximately 1.7 times (2023: 2.0 times).

GEARING RATIO

The gearing ratio of the Group as at 31 December 2024 was nil (2023: Nil).

The gearing ratio is calculated based on the total loans and borrowings divided by total equity as at 31 December 2023 and 2024, respectively.

TREASURY POLICY

The Group has adopted a prudent financial management approach with an aim of preserving the value of the assets of the Group towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. No financial investment other than cash and bank deposits was held by the Group as at 31 December 2024. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

As at 31 December 2024, the Group pledged its bank deposits of approximately HK\$5.3 million (2023: HK\$5.1 million) and charge on property of approximately HK\$4.8 million (2023: HK\$5.1 million) located at Workshop No. B9 on 6/F of Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong to banks as collateral to secure bank facilities granted to the Group.

Save for the above disclosed, the Group did not have any other charge on its assets as at 31 December 2024.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong dollars, which is the presentation currency of the Group. For the Year, there was no significant exposure to foreign exchange rate fluctuations and the Group has not maintained any hedging policy against foreign currency risk. The management will consider hedging significant currency exposure should the need arise. During the Year, the Group did not enter into any transactions or financial instruments for hedging purposes.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 25 September 2015 and transferred to the Main Board of the Stock Exchange on 12 February 2018.

As at 31 December 2024, the Company's issued share capital was HK\$14,646,000 (2023: HK\$15,228,000) and the number of its issued Shares was 1,464,600,000 of HK\$0.01 each (2023: 1,522,770,000). During the Year, the Group repurchased its own ordinary shares, totally 58,170,000 (2023: 7,230,000) shares and were subsequently cancelled in April, October and December 2024 (2023: in October 2023). During the Year, the Company did not sell any treasury shares. As at 31 December 2024, the Company did not hold any treasury shares.

COMMITMENTS

The Group had no operating lease commitments as at 31 December 2024 (2023: Nil).

SEGMENTAL INFORMATION

Segmental information is presented by the Group as disclosed on note 2 to the consolidated financial statements of this announcement.

CAPITAL COMMITMENTS

As at 31 December 2024, the Group did not have any material capital commitments (2023: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures (2023: Nil).

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities (2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group employed a total of 113 employees (2023: 132 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$63.4 million for the Year (2023: HK\$63.1 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution. The Group also offered induction trainings as well as on the job continuous trainings to staff members regularly.

SIGNIFICANT INVESTMENTS HELD

Save the investment in its subsidiaries by the Company, the Group did not hold any significant investments during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have any specific plans for material investments on capital assets as at 31 December 2024

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:

- (i) The Group's past revenue and profit margin may not be indicative of the Group's future revenue and profit margin, in particular, the Group's revenue is derived substantially from building services engineering projects, which are non-recurrent in nature, and the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group's order book for its new projects;
- (ii) The Group is dependent on its senior management and in-house engineers, hence inability to retain its staff may adversely affect the Group's business operations;
- (iii) Loss of authorised signatory and technical director for the Group's registrations maintained with the Buildings Department could materially and adversely affect the Group's business;
- (iv) Failure to accurately estimate and control the costs of the Group's projects may adversely affect the Group's financial performance;
- (v) The Group may not be able to maintain or increase its success rate of attaining engagement of projects tendered and quoted;
- (vi) Any delays in the Group's projects may affect the Group's cash flows and may have adverse impact on the Group's business and reputation;
- (vii) Failure to renew the Group's current registrations and licences may adversely affect the Group's business operations; and
- (viii) The Group is exposed to environmental liability.

For other risks and uncertainties being faced by the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated 18 September 2015 (the "**Prospectus**").

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to prevention and reduction of pollution, water pollution control and waste disposal control.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to promote efficient use of resources and adopt green technologies for emission reduction. For instance, the Group seeks to replace the equipment by the environmentally friendly machines in order to minimise overall exhaust emission.

During the Year, the Group did not record any material non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against the Group. During the Year, the Group was not subject to any environmental claims, lawsuit, penalties or any disciplinary action.

For further information in relation to the environmental policies and performance of the Group, please refer to the Group's Environment, Social and Governance Report that contained in the 2024 annual report of the Company, which will be issued in April 2025 according to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

KEY PERFORMANCE INDICATORS ("KPIs") WITH THE STRATEGY OF THE GROUP

The KPIs of the Group for the Year are set out below:

Strategy	KPIs
Maximise value for the Shareholders	Gross profit margin = 5.6% (2023: 8.2%)
	Return on equity = 1.4% (2023: 4.8%)
Improve the Group's liquidity	Net cash generated from operating activities = HK\$18.7 million (2023: HK\$39.2 million)
	Current ratio = 1.7 times (2023: 2.0 times)

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the Year.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group's customers mainly include main contractors who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and landlords or occasionally property developers (or its consultants). During the Year, the Directors consider that the Group was not reliant on any single customer. The Group has had business relationship with most of the top customers ranging from one year to over 10 years which the Directors believe implying that the Group is one of the selected subcontractors on such customers' approved lists of subcontractors and the Group being invited to tender or quote from time to time.

Suppliers and Subcontractors

During the Year, the suppliers of goods and services which were specific to the business of the Group and were required on a regular basis to enable the Group to continue to carry on its business included (i) subcontractors engaged by the Group to perform the site works; (ii) material and equipment suppliers to supply materials and equipment used in the site work; and (iii) suppliers of other miscellaneous goods and services required for the Group's business operations.

The Group maintains an internal list of approved subcontractors, for each categories of building services engineering work where the list is updated on a continuous basis. While engaging subcontractors, the Group generally selects the most suitable subcontractor from the approved list based on their relevant skill sets and experience, subject to their availability and fee quotations.

The Group generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or assigning subcontractors during the Year. The Group did not have any significant disputes with any of its top five suppliers and subcontractors during the Year.

Employees

The Group recognises employees as valuable assets of the Group and during the Year, the Group complied with the applicable labour laws and regulations and regularly reviewed the existing staff benefits for improvement. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

The Directors consider that the Group has maintained good relationship with its employees. The Group did not experience any strikes, work stoppages or labour disputes which affected its operations during the Year. The Directors also consider that the relationship and co-operation between the management team and the employees was good during the Year.

There was no forfeited contribution under the Mandatory Provident Fund Scheme and/or other retirement benefit scheme which may be used by the Group to reduce the contribution payable in the future years.

There was no forfeited contributions (2023: Nil) utilised during the Year and there was no sum available as at 31 December 2024 to reduce future contributions.

CORPORATE GOVERNANCE CODE

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 to the Listing Rules. During the Year, to the best knowledge of the Board, the Company complied with all the applicable code provisions of the CG Code.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. Following the specific enquiry made by the Company, the Directors confirmed that they have complied with the required standards as set out in the Model Code and the Company were not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors under the Model Code during the Year.

ANNUAL GENERAL MEETING (“AGM”)

The AGM is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc.

At the AGM, the Directors (including independent non-executive Directors) are available to attend to questions raised by the shareholders. The external auditor of the Company is also invited to be present at the AGM to address the queries of the shareholders concerning the audit procedures and the auditor’s report.

The forthcoming AGM of the Company (the “**2025 AGM**”) will be held on Wednesday, 14 May 2025, the notice of which shall be issued in accordance with the articles of association, the Listing Rules and other applicable laws and regulations.

DIVIDEND

The Board proposed final dividend of HK\$0.01 per share, in an aggregate amount of HK\$14,646,000 for the Year (2023: Nil) to the shareholders of the Company whose names are on the register of members of the Company on Wednesday, 28 May 2025, subject to the approval by the shareholders at the 2025 AGM to be held on Wednesday, 14 May 2025 and compliance with the laws of the Cayman Islands and other relevant rules and regulations. If the proposed final dividend is approved by the shareholders at the 2025 AGM, the payment of the proposed final dividend will be made on or about Wednesday, 18 June 2025.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2024, the Company purchased a total of 58,170,000 ordinary shares in the Company all on the Stock Exchange with an aggregate consideration (before transaction costs) of approximately HK\$4,339,000. The transaction costs, including brokerages, stamp duties and transaction levies, etc, involved in the repurchase amounted to approximately HK\$80,000. All repurchased shares were subsequently cancelled. Details of shares repurchased during the Year are set out as follows:

Month of repurchase	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2024	25,250,000	0.075	0.065	1,871
June 2024	13,020,000	0.075	0.074	976
July 2024	4,520,000	0.075	0.075	339
September 2024	2,280,000	0.075	0.075	171
October 2024	13,100,000	0.075	0.075	982
	<u>58,170,000</u>			<u>4,339</u>

After the share repurchase completed as shown in the table above, the total number of issued shares of the Company was reduced to 1,464,600,000 shares. The reason for the Company to undertake the repurchase was to demonstrate the Company's confidence in its own business outlook and prospects and would ultimately benefit the Company and create value to the shareholders.

Save and except disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities or any treasury shares.

AUDITOR

The consolidated financial statements for the Year have been audited by Messrs. BDO Limited ("BDO"). BDO shall retire in the 2025 AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO as auditors of the Company will be proposed at the 2025 AGM. The Company has not changed its external auditor during the Year and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Thursday, 8 May 2025 to Wednesday, 14 May 2025, both dates inclusive, the period during which no transfer of the shares of the Company will be registered. In order to be eligible to attend and vote at the 2025 AGM, shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 7 May 2025.

The proposed final dividend is subject to the approval by an ordinary resolution by the shareholders at the 2025 AGM. If the proposed final dividend is approved by the shareholders at the 2025 AGM, the record date for entitlement to the proposed final dividend is Wednesday, 28 May 2025. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 27 May 2025 to Wednesday, 28 May 2025, both days inclusive, period during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 26 May 2025. The payment of final dividend will be made on or about Wednesday, 18 June 2025.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) on 10 September 2015 with its written terms of reference in compliance with paragraphs D.3.3 and D.3.7 of the CG Code. The Audit Committee consists of three members, namely Mr. Chung Yuk Ming Christopher, Mr. Lau Kwok Lok Geoffrey and Mr. Tam Chun Chung, all being INEDs. Mr. Tam Chun Chung currently serves as the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.

The audited consolidated financial statements of the Group for the Year have been received and reviewed by the Audit Committee. The Audit Committee is of the opinion that the audited consolidated financial statements of the Group for the Year comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO ON THIS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by BDO, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements and consequently no assurance has been expressed by BDO on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.lapkeieng.com and the website of the Stock Exchange at www.hkex.com.hk. The 2024 annual report of the Company will be issued and made available on the above websites according to the Listing Rules in April 2025.

APPRECIATION

The Board would like to extend its sincere thanks to our shareholders, business partners and customers for their utmost support to the Group. We would also like to take this opportunity to thank all management members and staff members for their hard work and dedication throughout the Year.

For and on behalf of the Board
Lap Kei Engineering (Holdings) Limited
Chan Chun Sing
Company Secretary

Hong Kong, 26 March 2025

As at the date of this announcement, the executive Directors are Mr. Wong Kang Kwong, Ms. So Nui Ho and Mr. Tang Chun Man Joseph; and the independent non-executive Directors are Mr. Chung Yuk Ming Christopher, Mr. Lau Kwok Lok Geoffrey and Mr. Tam Chun Chung.